

September 22, 2006

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the September 22, 2006 meeting were distributed to Commission members, intervenors and other interested parties August 21, 2006 and sent to the Secretary of State's Office for posting on August 21, 2006.

Commission Present: Chair, Michael Wiers, Katherine O. Musgrave, Colon Durrell and Shelley Doak *ex-officio*.

Commission Absent: John Joseph Jr.

Department Officials: None

Staff Present: Audrey Shorty, Resource Administrator and Carol Gauthier, administrative assistant.

Legal Counsel: Lucinda White, Assistant Attorney General not present.

Intervenors Present: John Blake, H.P. Hood, Inc., Thomas Brigham, Oakhurst Dairy and John Economy, Garelick Farms.

Others Present: Dale Cole, dairy farmer and President, MDIA, Fred Hardy, MDIA and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present were, Steve Pyne from Dairy Marketing Services and Cheryl Carson, Walter and Edna Fletcher, dairy farmers.

Meeting called to order at 1:40 p.m. by chair, Michael Wiers.

Agenda Item 1: Minutes: Shelley Doak made a motion to accept the minutes of the meeting on August 21, 2006. Colon Durrell seconded. Motion passed 3-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: The prevailing premium is \$1.10/cwt on Class I for October 2006 reported by Dairy Marketing Services (DMS). Agri-Mark Cooperative reported \$0.90/cwt on Class I outside of Maine but reported that they continue charging their Maine customers \$1.10/cwt.

There is a Farm Bill Counter Cyclical Payment (MILC) for October 2006 of \$0.4318. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Audrey Shorty presented milk-pricing information for October.

Katherine Musgrave made a motion to accept schedule #10-06 with a producer cost of production adjustment of \$1.35/cwt. It includes a \$15.67/cwt Class I Price, plus \$1.10/cwt as prevailing in Southern New England, plus \$1.40/cwt for a handling fee and plus a \$0.20/cwt processor assessment, for a total dealer Class I cost of \$19.72/cwt. Colon Durrell seconded the motion.

John Blake questioned why the producer cost of production adjustment remains at \$1.35 when the Class I price is going up?

Dale Cole reported that costs to producers have not declined and have even gone up for some things.

Dairy producer Cheryl Carson pointed out that costs to producers have gone up and the money from the state programs was very important in keeping her operation going.

Colon Durrell stated that he was concerned about the retail supermarket prices that are far above the minimum retail milk prices set by the Commission. He said it appeared to him that the 12 cents per gallon cost added to minimum milk prices due to a \$1.35 producer cost of adjustment was small compared to the retail mark-up over the minimum prices set.

Julie-Marie Bickford pointed out that retail prices have remained the same despite decreased processing costs due to decreases in milk prices. She said that she had found a store where she could get milk for less than \$3.00 per gallon and the store was having trouble keeping it on the shelves. She suggested that sales might increase if retail milk prices were lowered to something reasonable.

John Blake reminded the Commission that the cost of processing study was underway at this time and there might be an increase from that that would explain some of the higher milk prices.

Tom Brigham asked about the logic of moving the producer cost of production adjustment up when prices were declining, and then leaving it up when prices were increasing. He questioned why it did not go down as prices increased. He stated that this action was not healthy for the milk industry.

Dale Cole pointed out that the short-run break-even support level in the state program was below the support level recommended by the dairy task force and producers were still below their true cost of production.

Julie-Marie Bickford said that milk sales reported by the dairy foods industry were steady and strong. She told the Commission that other costs to producers have gone up since the most recent study and subsequent adjustments and this has caused a net loss to producers. She said that both the tier program and the producer cost of production adjustment were not enough in total.

Dale Cole stated that he could not see how the \$1.35 cost of production adjustment was harming anyone.

Michael Wiers explained that the Northeast Dairy Compact was similar to what Maine was doing with the cost of production adjustment and it created border problems because of the difference in price. This price difference moves milk from one region to another and can become harmful to some segments of the industry in those areas. He told the Commission that they needed to be aware of this. Mr. Wiers went on to ask the processor representatives present to tell the Commission whether or not the \$1.35 cost of production adjustment was adversely affecting them. He also expressed concern about the reported \$1.10/cwt prevailing premium in southern New England and asked Steve Pyne if this was a true number for Dairy Marketing Services (DMS).

Steve Pyne informed the Commission that \$1.10 was a true and accurate premium for DMS.

Katherine Musgrave told the Commission that she can buy milk for \$2.69 per gallon in two different places but cannot get it for that price in either of the two largest supermarkets, Shaw's and Hannaford's. She asked why these two retailers could not sell milk for lower prices.

John Blake responded saying he could not speak for the retail supermarkets. He went on to say that the \$1.35 cost of production adjustment got so large because of fuel costs. Now that fuel costs are going down, the Commission should consider moving this adjustment down as well.

Julie-Marie Bickford pointed out that energy surcharges added on to producers cost have not decreased and that other energy related costs have also remained higher.

Fred Hardy told the Commission that 13 to 14 cents per gallon due to a cost of production adjustment was not out of line. He reminded the Commission that producers do not have a guaranteed margin from the Commission, as do the processors and retailers.

Michael Wiers told the Commission that they essentially regulate three segments of the milk industry i.e. producers, processors and retailers to ensure a local supply of fresh, wholesome milk for Maine consumers. He said the Commission needs to be conscience of the impact on processing and retailing as well as producers when making decisions. The Commission must be mindful of the infrastructure. He went on to say that pushing one segment too far could hurt the whole. He wondered where that point was.

Dale Cole stated that he had seen no documentation or testimony from processors indicating that the \$1.35 cost of production adjustment was harmful to Maine's dairy industry.

Colon Durrell asked Steve Pyne if there was enough supply in the Northeast to take care of Maine needs. Mr. Pyne said there were seasonal fluctuations in supply, but there would not be enough milk without Maine production. He said that transportation costs would be a factor as would be BST free milk.

Mr. Wiers asked if anyone had anything else to say before he called for a vote on the motion.

No other comments were offered. Motion passed 3-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for September 2006 which included prices for Augusta and Bangor and reviewed the July IAMCA milk survey.

Agenda Item 5: Next Scheduled Meetings:

- October 20, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- November 17, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- December 22, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- January 9, 2007, Tuesday 10:30 a.m.
Augusta Civic Center, Augusta, ME
- January 19, 2007, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission Reviewed income and expenditures.
2. **Dealer Margins and Kellogg's Promotion:** No updates on DM. Kellogg's informational.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session. Adjourned: 2:15 p.m.

Stanley Millay, Executive Director, Maine Milk Commission.